

## Message Text

SECRET

PAGE 01 STATE 131508  
ORIGIN EA-12

INFO OCT-01 ISO-00 ONY-00 SS-15 /028 R

DRAFTED BY EA/PHL:JCMONJO:KWBLEAKLEY:JASARTORIUS:PAW  
APPROVED BY EA/PHL:JCMONJO  
DESIRED DISTRIBUTION  
FOR EA ONLY

-----097600 241041Z /23

R 232253Z MAY 78  
FM SECSTATE WASHDC  
TO ALL EAST ASIAN AND PACIFIC DIPLOMATIC POSTS

S E C R E T STATE 131508

FOR EA ONLY, MANILA POUCH CEBU

E.O. 11652: GDS

TAGS: MARR, MILI, APER, RP

SUBJECT: WEEKLY STATUS REPORT - PHILIPPINES  
SEOUL FOR ASSIST SECY HOLBROOKE AND GLEYSTEN  
TO : EA - MR. OAKLEY

FROM: EA/PHL - JOHN C. MONJO

1. BASE NEGOTIATIONS - NEXT STEP: (SECRET)

PRESIDENT MARCOS ADVISED DON TOUSSAINT MAY 23, WHILE  
TOUSSAINT WAS OUTLINING U.S. ACTIONS ON MAP FOR THE  
PHILIPPINES, THAT THE U.S. BASE COMMANDERS SHOULD CONTACT  
GENERAL ESPINO TO DISCUSS AGENDA AND PROCEDURES FOR  
MILITARY-TO-MILITARY DISCUSSIONS (MESSAGE REPEATED ASSIST-  
ANT SECRETARY HOLBROOKE SEPTTEL).

2. AMBASSADOR MURPHY'S SENATE HEARINGS (UNCLASSIFIED)

SECRET

SECRET

PAGE 02 STATE 131508

AMBASSADOR-DESIGNATE MURPHY APPEARED BEFORE THE SENATE  
FOREIGN RELATIONS COMMITTEE MAY 23 WITH SENATOR MCGOVERN  
PRESIDING (NO OTHER COMMITTEE MEMBERS PRESENT). MCGOVERN  
FIRST INQUIRED INTO SIGNIFICANCE OF JOINT U.S.-PHILIPPINE  
STATEMENT ISSUED DURING VICE PRESIDENT MONDALE'S RECENT  
VISIT TO MANILA. MURPHY REPLIED WE WELCOMED STATEMENT

AS FIRST EXPRESSION OF AGREED PRINCIPLES UNDERLYING BASES, INCLUDING IMPORTANT REFERENCE TO BASES AS CONTRIBUTING TO "MUTUAL BENEFIT OF BOTH COUNTRIES."

MCGOVERN TURNED NEXT TO HUMAN RIGHTS, STATING CONGRESS HAS EXPRESSED CONCERN OVER SITUATION IN PHILIPPINES. MURPHY, NOTING HUMAN RIGHTS HAS LONG BEEN A CONCERN OF CONGRESS WHICH HAS RECEIVED SPECIAL EMPHASIS FROM ADMINISTRATION IN PAST YEAR, REPLIED THAT HE SEES NO CONFLICT BETWEEN OUR WORKING WITH FILIPINOS TOWARD MORE BALANCED DEFENSE RELATIONSHIP AND OUR CONCERN FOR HUMAN RIGHTS. HE POINTED OUT THAT PHILIPPINE LEADERSHIP WELL AWARE OF OUR CONCERN, AND THAT MARCOS HIMSELF, IN PRESS CONFERENCE WITH FOREIGN REPORTERS LATER REBROADCAST TWICE, HAD DESCRIBED HIS EXCHANGE WITH MONDALE AS A "LIVELY DISCUSSION."

MCGOVERN SAID THAT, OWING TO HUMAN RIGHTS CONCERNS, CONGRESS CUT FY 78 MAP FOR PHILIPPINES, AND THAT THERE SOME POSSIBILITY OF A CUT IN ECONOMIC ASSISTANCE FOR FY 79, ASKING MURPHY'S VIEWS. LATTER REPLIED THAT (A) U.S.-PHILIPPINE DEFENSE RELATIONSHIP HAS BEEN IMPORTANT FOR 30 YEARS, AND WE HAVE ENCOURAGED THE FILIPINOS TO MOVE TOWARDS SELF-RELIANCE, THEREFORE IT WOULD BE INAPPROPRIATE TO REDUCE MAP OR MILITARY TRAINING FOR PHILIPPINES; (B) OUR AID PROGRAM STANDS ON ITS OWN FEET,  
SECRET

SECRET

PAGE 03 STATE 131508

BEING DIRECTED TOWARDS BASIC HUMAN NEEDS, HENCE THIS PROGRAM ALSO SHOULD NOT BE CUT.

MCGOVERN SAID THAT SENATOR GLENN, ABSENT AT A SALT HEARING, HAD ASKED THAT HIS BEST WISHES TO MURPHY BE MADE PUBLIC AT HEARING.

SFRC REPORTED OUT AMBASSADOR MURPHY'S NOMINATION FAVORABLY ON SAME DAY. FULL SENATE CONSIDERATION IS EXPECTED IN NEXT DAY OR TWO.

3. PD 1352 - INVESTMENT INCENTIVES WIPED OUT  
(LIMITED OFFICIAL USE)

WITHOUT ANY ADVANCE WARNING, MARCOS SIGNED P.D. 1352 ON APRIL 21 WHICH IMMEDIATELY IMPOSED A 5 PER CENT CUSTOMS DUTY AND A 5 PER CENT "INTERNAL REVENUE" TAX ON IMPORTS THAT PREVIOUSLY HAD BEEN TAX EXEMPT UNDER A LARGE NUMBER OF GOP PROGRAMS TO ENCOURAGE NEW INVESTMENT IN THE PHILIPPINES, BOTH FOREIGN AND DOMESTIC. NOT ONLY DID THE LAW CATCH THE BUSINESS COMMUNITY BY SURPRISE, BUT IT WAS ALSO ISSUED WITHOUT CONSULTATION WITH THE

BOARD OF INVESTMENTS (BOI) AND OTHER AFFECTED GOP  
AGENCIES.

UNDER PREVIOUS LEGISLATION:

-- COMPANIES THAT INVESTED IN GOVERNMENT-DESIRED "PIONEER"  
SECTORS (1) WERE COMPLETELY EXEMPTED FROM TAXES AND  
DUTIES ON IMPORTED EQUIPMENT, AND (2) WERE GIVEN A PERIOD  
IN WHICH TAXES ON RAW MATERIALS WOULD GRADUALLY INCREASE  
FROM ZERO IN THE FIRST FIVE YEARS TO 100 PER CENT AFTER  
15 YEARS.

-- FIRMS IN DESIRABLE BUT "NONPIONEER" FIELDS WERE GIVEN  
A NEGOTIATED ARRANGEMENT WHEREBY PART OF THEIR IMPORTS  
SECRET

SECRET

PAGE 04 STATE 131508

WERE DEFERRED OVER 10 YEARS, WITH A THREE YEAR GRACE  
PERIOD.

AT LAST REPORT, THERE WAS STILL CONSIDERABLE CONFUSION  
OVER WHAT THE LAW MEANS AND HOW IT WILL BE APPLIED IN  
THESE CASES.

THE GOP HAS ALSO LURED SOME 160 REGIONAL HEADQUARTERS OF  
MULTINATIONAL COMPANIES TO MANILA BY OFFERING A VARIETY  
OF INCENTIVES, INCLUDING THE TAX-FREE IMPORT OF ONE  
AUTOMOBILE AND THE HOUSEHOLD GOODS OF EACH FOREIGN  
RESIDENT EMPLOYEE. A 10 PER CENT DUTY ON THESE ITEMS  
IS NOW BEING COLLECTED.

EMBASSY MANILA EXPECTS THAT THE DECREE WILL DISCOURAGE  
NEW INVESTMENTS, HARM SOME EXISTING ONES, AND PERHAPS  
CAUSE SOME MULTINATIONAL REGIONAL OFFICES TO MOVE TO  
SINGAPORE AND HONG KONG. THAT THE DECREE WAS SIGNED  
ATTESTS TO THE INFLUENCE OF SECRETARY OF FINANCE VIRATA  
BUT ALSO TO THAT DEPARTMENT'S INTENSE SEARCH FOR REVENUE.

#### 4. VETERANS ADMINISTRATION (UNCLASSIFIED)

THE HOUSE COMMITTEE ON VETERANS AFFAIRS HAS POSTPONED  
HEARINGS, ORIGINALLY SCHEDULED FOR MAY 24, ON A FIVE  
YEAR EXTENSION OF THE VA OFFICE IN MANILA AND ON MEASURES  
TO LIMIT SOME BENEFITS UNDER THE PHILIPPINE PROGRAM.

#### 5. PLEASE NOTE FOR EA ONLY CAPTION.

CHRISTOPHER

SECRET

NNN

## Message Attributes

**Automatic Decaptioning:** Z  
**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** REPORTS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 23 may 1978  
**Decaption Date:** 20 Mar 2014  
**Decaption Note:** 25 YEAR REVIEW  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1978STATE131508  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** JCMONJO:KWBLEAKLEY:JASARTORIUS:PAW  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Expiration:**  
**Film Number:** D780218-0833  
**Format:** TEL  
**From:** STATE  
**Handling Restrictions:**  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1978/newtext/t19780527/aaaaawod.tel  
**Line Count:** 166  
**Litigation Code IDs:**  
**Litigation Codes:**  
**Litigation History:**  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Message ID:** 9e774698-c288-dd11-92da-001cc4696bcc  
**Office:** ORIGIN EA  
**Original Classification:** SECRET  
**Original Handling Restrictions:** ONLY  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 4  
**Previous Channel Indicators:** n/a  
**Previous Classification:** SECRET  
**Previous Handling Restrictions:** ONLY  
**Reference:** n/a  
**Retention:** 0  
**Review Action:** RELEASED, APPROVED  
**Review Content Flags:**  
**Review Date:** 06 may 2005  
**Review Event:**  
**Review Exemptions:** n/a  
**Review Media Identifier:**  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**SAS ID:** 2597094  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** WEEKLY STATUS REPORT - PHILIPPINES SEOUL FOR ASSIST SECY HOLBROOKE AND GLEYSTEN TO : EA - MR. OAKLEY  
**TAGS:** MARR, MILI, APER, RP  
**To:** EA POSTS  
**Type:** TE  
**vdkgvwkey:** odbc://SAS/SAS.dbo.SAS\_Docs/9e774698-c288-dd11-92da-001cc4696bcc  
**Review Markings:**  
Sheryl P. Walter  
Declassified/Released  
US Department of State  
EO Systematic Review  
20 Mar 2014  
**Markings:** Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014